

Message Text

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PAGE 01 LONDON 01240 241541Z

ACTION EB-04

INFO OCT-01 SS-04 EUR-03 NSC-04 NSCE-00 FRB-03 INR-01

CIAE-00 CEA-01 ISO-00 /021 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9784

TREASURY DEPT WASHDC

C O N F I D E N T I A L LONDON 01240

LIMDIS GREENBACK

DEPARTMENT PASS FEDERAL RESERVE BOARD

E.O. 11652: GDS

TAGS: EFIN, UK

SUBJECT: UK BOND SALES UNDER THE BASLE FACILITY

REF: A)LONDON 450 B) LONDON 512

1. CHANCELLOR IN ANNOUNCING THE NEW BASLE FACILITY REPORT-
ED THAT OFFICIAL HOLDERS WILL BE OFFERED THE OPTION TO
CONVERT ANY PART OF THEIR HOLDINGS IN STERLING INTO NEGO-
TIABLE MEDIUM-TERM FOREIGN CURRENCY BONDS TO BE ISSUED BY
HMG ON MARKET-RELATED TERMS. IN REPLY TO A PARLIAMENTARY
QUESTION AFTER THE ANNOUNCEMENT, CHANCELLOR HEALEY SAID
THE NEW FOREIGN CURRENCY BONDS WILL BE FULLY MARKETABLE.

2. HMT SOURCE REPORTS HEALEY WAS NOT CORRECT IN USING THE
TERM "FULLY MARKETABLE." HEALEY HAS SINCE WRITTEN TO
SHADOW CHANCELLOR SIR GEOFFREY HOWE AND TO LIBERAL ECONO-
MIC SPOKESMAN, JOHN PARDOE, GIVING MORE PRECISE DETAILS.
SOURCE SAID HEALEY'S LETTER HAS NOT BEEN MADE PUBLIC,
BUT ADDS THAT IN SUBSTANCE IT SAYS THE TERM MARKETABLE WAS
USED LOOSELY. QUOTE THE TECHNICALLY CORRECT POSITION IS
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PAGE 02 LONDON 01240 241541Z

THAT THE BONDS WILL BE FULLY NEGOTIABLE. THE QUALITY OF
FULL NEGOTIABILITY MEANS THAT, WHILE THERE WILL BE NO
ASSURED MARKET FOR THE BOND, HOLDERS WILL BE FREE TO
DISPOSE OF THEM IF THEY CAN FIND WILLING BUYERS. THE TERM
MARKETABLE CARRIES TECHNICALLY AN IMPLICATION THAT A
MARKET WILL BE MADE FOR THE BONDS. IT MAY BE THAT A MAR-
KET WILL DEVELOP, AND WHETHER OR NOT WE WILL WISH TO EN-

COURAGE SUCH A DEVELOPMENT IS STILL FOR CONSIDERATION. BUT HMG WILL NOT ITSELF HAVE ANY OBLIGATIONS SAVE TO SERVICE THE BONDS AND REDEEM THEM ON MATURITY. END QUOTE. SOURCE SAID AT THIS TIME HE IS UNABLE TO SEE ANY DESIRE ON PART OF HMG TO DEVELOP OR MAKE A MARKET FOR THE BONDS.

3. SOURCE REPORTS THAT HMG HAS GIVEN OFFICIAL STERLING HOLDERS A BRIEF STATEMENT OF ITS INTENT, BUT THAT NO DIRECT SUBSTANTIVE TALKS HAVE YET BEEN HELD. THIS MUST AWAIT OUTCOME OF THE NEXT BASLE EXPERTS SESSION ON TECHNICAL DETAILS. WHEN TECHNICAL DETAILS HAVE BEEN SETTLED, HMT AND BANK OF ENGLAND OFFICIALS WILL VISIT OFFICIAL STERLING HOLDER COUNTRIES TO DISCUSS BOND SALES.

ARMSTRONG

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 24-Jan-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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